

Proposal for Extension of External Research

Agriculture of the U.S.S.R.

By the end of September, 1957, most of the planned research under the present contract will be at a juncture permitting the presentation of a series of articles or monographs that will cover the major areas of the research proposal 25X1A5a. It is now apparent that further useful work can be done at [redacted] though on a smaller scale.

An extension of the contract seems desirable for several reasons. First, one of the two full time persons working on the contract has revealed exceptional ability to obtain and organize material relevant to the study of Soviet agriculture. He is an able economist and has an excellent command of the Russian language. If he does not continue on this project, his valuable services would be lost as far as the study of Soviet agriculture is concerned. Second, the analysis of the effects on output of changes in the amounts and qualities of inputs can be carried beyond the point that it will be possible for us to do in the next ten months. A large part of our effort under the present contract has been devoted to an analysis of the land input. This effort has required much more time than originally anticipated and as a consequence the amount of attention that we have been and will be able to devote to other inputs, especially labor and machinery, has suffered. Third, the various agricultural income series that have been or are being developed can be refined and kept up to date for the next two years. In addition to the value of the income estimates for an understanding of the agricultural situation, the estimates release resources required in making national income estimates. Finally, there are two additional areas of research to which we would like to devote attention.

X R Currency Course
Xmas Cards

*Stress the 2 related pieces of research
Our references to future to do no
much as expected*

One of the areas of research is the effect of changes in prices upon the allocation of agricultural resources in the Soviet Union. Changes in prices refers to the whole complex of prices -- obligatory delivery and purchase prices and the collective farm market prices. We have done some work on changes in livestock numbers and production as related to prices and we believe that a relationship definitely exists. The study would be a complex one for a variety of reasons, including the role of nonprice controls such as delivery quotas, acreage and livestock numbers planning by central authorities, and the effects of general availability of production and consumption items in the rural trade network as well as the provision of production and consumption goods at special prices as a particular inducement. Nevertheless, we believe that it may be possible to determine some of the relationships between production and the set of relevant prices that may help to explain changes that have occurred in Soviet agricultural policy.

Within the context of the study of the relationships between prices and the allocation of agricultural resources, it should be possible to determine in a rough manner the costs to the Soviet Union of maintaining a policy of autarchy with respect to agricultural products. At least it should be possible to indicate the agricultural commodities that would be imported in significant volume if the Soviet planners were willing to recognize the principle of comparative advantage in their planning procedures.

The second area of research concerns the turnover tax on agricultural products, with emphasis upon both theoretical and practical aspects of that tax. A theoretical analysis of the nature and incidence of the tax is important because of the implications of the analysis to the evaluation of national income, including the use of national income data as a basis for the study of growth as well as for an evaluation of the composition

of the output of the economy. I believe that the acceptance of the turnover tax as a factor payment is the correct view, yet the continued acceptance of that view probably requires more careful and extensive analysis than it has thus far had.

If it is true that the turnover tax is primarily a factor payment for the use of agricultural land and some of the capital in agriculture, the particular method of collecting this factor payment probably has an impact upon the allocation of agricultural land amongst various uses and perhaps also upon the total amount of agricultural land cultivated.

25X1A5a1 The budget for a two year extension of the contract would be as follows:

[REDACTED]

[REDACTED]

25X1A5a1

Travel
Clerical
Supplies and materials

Total

25X1A5a1

In addition I would like to have [REDACTED] set aside in the present contract for publication carried forward for the period of the contract extension.

Budget for Renewal of Project
on the Agricultural Economy
of the U.S.S.R